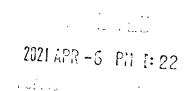


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OPEN MEETING COVER SHEET

MEETING DATE: April 7, 2021

DATE DELIVERED: April 6, 2021

AGENDA ITEM NO.: 8

CAPTION: Project No. 51871 – Review of the ERCOT

Scarcity Pricing Mechanism

DESCRIPTION: Staff Memorandum

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Public Utility Commission of Texas

Memorandum

TO: Chairman Arthur C. D'Andrea

FROM: Werner Roth, Market Analysis Division

David Smeltzer, Agency Counsel, Rules

DATE: April 6, 2021

RE: April 7, 2021 Open Meeting – Agenda Item No. 8 – Project 51871 – Review of

the ERCOT Scarcity Pricing Mechanism

At its March 5, 2021 open meeting, the Public Utility Commission of Texas (Commission) directed Commission Staff to open a project to evaluate whether the Commission should amend its rules to adjust the low system-wide offer cap (LCAP) prior to the 2021 summer season. To this point, the Commission also requested comments from interested parties addressing this question. In response, Commission Staff opened Project No. 51871, Review of the ERCOT Scarcity Pricing Mechanism, and requested comments from interested parties on the following questions:

- 1. Should the Commission amend its rules to adjust the LCAP?
- 2. If the Commission amends its rules to adjust the LCAP, what specific adjustments should it make?
- 3. If the Commission amends its rules to adjust the LCAP, when should these adjustments take effect?

Initial comments were due back to the Commission by March 19, 2021, and reply comments were due by March 26, 2021. In reviewing both sets of comments, Commission Staff notes that there was not a consensus position shared by all of the commentors on any of the three

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issued questions. However, the following positions were supported by the majority of commenters:

- The Commission should resolve any regulatory uncertainty around the use of LCAP for this summer as soon as practicable.
- LCAP should not be allowed to exceed the value of the high system-wide offer cap (HCAP).
- A more thorough and holistic review of the broader scarcity pricing mechanism is warranted but need not be rushed ahead of this summer. This review should conducted longer-term as part of a more formal rulemaking process.

Commission Staff is available for briefing and discussion at the open meeting.